USAWC STRATEGY RESEARCH PROJECT

CITY-BASE INITIATIVE: A MEANS TO 21ST CENTURY INSTALLATION READINESS

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ABSTRACT

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The readiness of our military and the performance of our military members are directly linked to the health of our defense installations and facilities. The chronic underfunding and subsequent decay of our defense installations' infrastructure and facilities has led to their current poor readiness ratings and recapitalization rates. As the Department of Defense (DOD) adjusts to meet the new demands of the Global War on Terrorism, new requirements will continue to emerge. Not only will these new requirements demand a greater share of the DOD budget, but pressure to halt the continuing increase in the DOD budget will grow. These resourcing challenges will only exacerbate the already existing installation funding shortfalls and lead to an even greater decrease in readiness. In a constrained budget environment such as this, DOD must reduce the current and future installation resource requirements to better align with available resources. To significantly reduce installation resource requirements, requires a reduction in excess and underutilized installation infrastructure and facilities. This study examines the feasibility of extending public-private sector partnerships, such as the Brooks City-Base initiative in San Antonio, Texas, to other appropriate military installations as a means to rid DOD of excess and underutilized installation infrastructure and facilities.

CITY-BASE INITIATIVE: A MEANS TO 21ST CENTURY INSTALLATION READINESS

As a result of previous years of underfunding our installations, the 2001 Installation Readiness Reporting System reported that "69 percent of the Department's facilities are currently rated 'C-3' (significant deficiencies preventing some mission performance) or 'C-4' (major deficiencies precluding satisfactory mission accomplishment)."[1] Additionally, our installations' facilities are expected to have an average total life of 67 years if properly sustained; however, "with current funding in the post FY 2002 period, we will not be able to sustain the facilities and will recapitalize them on a 151—not 67—year cycle."[2] These decreases in the quality of our installations' infrastructure directly impacts readiness. As stated in the 2001 Posture Statement on Defense Installations, "The readiness of our military and the Quality of Services of our people are directly related to the health of our defense installations and facilities worldwide."[3]

As our Nation continues to prosecute the Global War on Terrorism (GWOT), Department of Defense's (DOD's) GWOT priorities and requirements will continue to change and grow, respectively. These priorities, and subsequent requirements, will more than likely demand a greater share of the DOD budget. Furthermore, at some point in the future, if history is any indication, the Nation will grow weary of our current defense spending and pressure Congress to cut back on the same, to include supplementals. These resourcing challenges will only exacerbate the already existing installation funding shortfalls and lead to an even greater decrease in readiness.

In a constrained budget environment such as this, DOD must reduce the installation resource requirements in order to "close the gap between current and future requirements and available resources."[4] Significantly lowering the requirements will translate into a higher percentage of funding for the remaining requirements. This, combined with funding installations to meet DOD-approved installation support standards, will lead to increased readiness of our installations. To significantly reduce installation requirements requires a reduction in infrastructure, specifically excess infrastructure. DOD's tool for reducing excess infrastructure in the past has been Base Realignment and Closure (BRAC). However, based on the final outcome of BRAC 2005, early speculation is that the "unwieldy Base Realignment and Closure (BRAC) process might have at last outgrown its original purpose."[5] Specifically, as stated by Christopher Hellman of the Center for Arms Control and Nonproliferation, 'This round was more about realigning than closing, and that's going to be the case in the future.'[6]

If the BRAC process has truly outgrown one of its original purposes—to rid DOD of excess infrastructure—than another process is needed to do the same. The purpose of this paper is to look at an alternative way in which DOD can effectively continue to reduce infrastructure to meet future readiness needs.

Current Status of Installation Infrastructure

DOD installations encompass more than 46,425 square miles, contain approximately 621,850 buildings and other structures, and are estimated to be valued at around $600 billion. The sheer size—"nearly five-and-a-half times the size of the state of New Jersey"—and number of installations and facilities shows the magnitude of the resourcing requirement.[7] This requirement, combined with "nearly a decade of redirecting funds from Defense installations to other purposes has allowed our vital installations to decay at an alarming rate."[8] This practice of underfunding and redirecting funds from the sustainment, restoration, and modernization (SRM) account continues.[9] In the Army, for example, the base operations support (BOS) account has been funded at only 70 percent of requirements over the past few years due to higher demands on resourcing by other Army programs. Since BOS requirements are "must fund" requirements in most cases, the Army reprograms SRM dollars to cover the BOS shortfalls. The impact of this shortfall, $603 million in FY 2004 and $900 million in FY 2005, manifests itself in the way of unfunded SRM projects. In FY 2005 alone, "1,977 projects will be unfunded to cover the BOS shortfall."[10] These projects are spread across several of the Army's key power projection platform installations and range from maintenance facilities to dining facilities to rifle qualification ranges.[11] This practice of underfunding and redirecting funds has "created a significant shortfall in SRM funding, and led to a further decay of installation infrastructure."[12]

This decay of our installation infrastructure is reflected in our Installation Readiness Reporting System. As stated previously, as late as 2001 "69 percent of the Department's facility classes … were rated 'C-3' (significant facility deficiencies that prevent it from performing some missions) or 'C-4' (major facility deficiencies that preclude satisfactory mission accomplishment)—posing significant risk to missions."[13] Looking specifically at the Army, the overall FY 2004 quality rating for all facilities was C-3, with over half of the nine facility classes having the same overall low rating.[14] The underfunding and resultant decay of the Army's installation infrastructure is such that "it will cost more than $12 billion to achieve the Army goal of improving the overall condition of Operation and Maintenance-operated facilities to a C-2 rating."[15]

The chronic underfunding and subsequent decay of our installation infrastructure is also depicted in DOD recapitalization rates. The average age of DOD facilities is 41 years with a theoretical design life or recapitalization rate of 67 years. Sixty-seven years, however, assumes they are fully sustained throughout their life cycle.[16] Because these facilities have not been fully sustained, their "expected life can be significantly shortened. Additionally, the average age continues to creep up due to insufficient recapitalization efforts—about six months for every 12 months that pass."[17] As indicated earlier, and based on post- FY 2002 funding, DOD "will not be able to sustain the [installation] facilities and will recapitalize them on a 151—not 67—year cycle."[18] Looking specifically at the Army recapitalization rates and using the Army's budget as of 16 February 2005, the rates are more promising. In FY 2006 the recapitalization rate is 112 years, improving to 67 years by FY 2011.[19] However, this assumes predictable and sustained SRM funding each year as well as adequate MILCON funding. As previous years have indicated, this has not been the case and most likely will not be the case in the future.

In total, what this means for our installations is that "without proper sustainment, restoration, and modernization, performance declines, readiness and mission support suffers, service life is lost, and total costs rise."[20] In fact, according to the 2001 Quadrennial Defense Review, the cost to restore lost readiness is estimated at $62 billion over six to nine years, "plus a steady, predictable stream of funding after that for sustainment and recapitalization to prevent the problems from reoccurring."[21] This level of resourcing is highly unlikely given DOD's level of funding for installations in previous years. Additionally, as our Nation continues to prosecute the GWOT and DOD's requirements in support of GWOT continue to grow and demand a greater share of the DOD budget, resourcing for defense installations in the future will more likely decrease than increase.

As stated earlier in the paper, our military's readiness and service members' quality of service is directly related to the well-being of our defense installations and facilities.[22] As a result, "the challenges confronting America's military installations and facilities today constitute a critical factor in our current and future military readiness."[23]

DOD's Installation Strategy

To confront this challenge, in FY 2001 DOD established The Defense Facilities Strategic Plan. The underlying theme from which the plan was developed was, "We must keep only what we really need, fully sustain what we have, and resource, modernize, or acquire new to meet current and future needs."[24] From this theme four strategic goals were established: Right size and place, right quality, right resources, and right tools and metrics.[25]

DOD's right size and place goal is to "improve the balance between the installations and facilities inventory on hand and the inventory actually required by our military forces and missions, while preserving the quality of the operational training environment."[26] It also looks at future requirements. Although there are several key initiatives directed toward obtaining this goal, the one most critical to achieving the goal is the efficient facilities initiative or BRAC. On August 2, 2001, in a statement before the Subcommittee on Readiness and Management Support of the Senate Armed Services Committee, Mr. Raymond F. Dubois, Jr., Deputy Under Secretary of Defense (Installations and Environment) stated the "key to achieving the long-range goal will be successful implementation of the Department's Efficient Facilities Initiative (EFI), designed to realign and reduce base infrastructure by approximately 25 percent, and ultimately, save several billion dollars annually."[27] The EFI enables DOD to tailor its infrastructure to better align with the restructured operating forces as well as streamline its business practices, ultimately generating needed savings.[28] Other initiatives directed toward achieving DOD's right size and place goal include: demolition and disposal of obsolete and excess structures, leasing underutilized facilities, joint use of facilities, and land use compatibility and encroachment management.[29]

The objective of the second strategic goal, right quality, is "to provide an inventory of facilities that possesses the capabilities necessary for military operations, training, maintenance, housing, and community support."[30] Although the key initiatives being pursued as part of this goal are modern barracks through MILCON funding and modern family housing and utilities/telecommunications systems through privatization,[31] this goal cannot be achieved without predictable and sustained SRM funding as well as increased MILCON funding. The only way to preserve the quality of our facilities once in operation is "through proper sustainment, restoration, and modernization programs. In the absence of such programs, the Defense Department's facilities will atrophy and readiness will suffer."[32]

DOD's third strategic goal, right resources, seeks "to obtain and properly allocate the resources needed to achieve the right size and right quality of our facilities and installations."[33] Although key initiatives directed at achieving this goal include improved planning guidance, enhanced energy management and competitive sourcing, the critical precursor task required to achieve this goal is reducing installation resource requirements.[34] In a constrained budget environment, this provides the needed savings to be applied to the remaining valid installation requirements. Additionally, as part of this task, DOD "must pursue new and better business relationships with third parties, including private and quasi-public business and local communities … ."[35]

The final goal in the Defense Facilities Strategic Plan is right tools and metrics. The objective of this goal is to put in place "the tools and metrics that will enable us to make correct assessments of the current and projected future condition of our physical plant, and directly linking them to our Installations Readiness Reporting System."[36] The databases, models, and assessment tools that have been further developed or initiated as a result of this goal are critical to providing decision-makers accurate resource requirements and readiness assessments from which sound resourcing decisions can be made.

Although the Defense Facilities Strategic Plan provides a framework for improving the readiness of our defense installations, the analysis is clear. Summarized from earlier discussion, the report card on defense installations reads: 69 percent of DOD's installation facilities are rated C-3 or C-4—posing significant risk to missions; the recapitalization rate for DOD's defense facilities is 151 years, not the DOD standard of 67 years; and the cost to restore lost installation readiness is estimated at $62 billion over six to nine years. Improving this report card in the current and anticipated future constrained budget environment requires DOD to significantly reduce installation resource requirements in order to "close the gap between current and future requirements and available resources."[37] To significantly reduce installation requirements requires a reduction in infrastructure, specifically excess infrastructure. DOD's tool for reducing excess infrastructure in the past has been Base Realignment and Closure (BRAC).

Reducing Excess Installation Infrastructure through BRAC

Although DOD has other means such as demolition and leasing to rid itself of excess installation infrastructure, BRAC has been DOD's tool for reducing significant excess infrastructure and generating substantial savings in the past. The previous four BRAC rounds in 1988, 1991, 1993, and 1995 have eliminated approximately 21 percent of excess defense infrastructure.[38] In 2001, DOD estimated that these four BRAC rounds saved the Defense Department approximately $15 billion through FY 2001 and would generate an estimated $6 billion in annual recurring savings thereafter.[39] However, starting in 2001, DOD's assessment was that despite the four previous BRAC rounds, "many of the remaining installations and facilities are not adequate to meet the war-fighting and operational concepts of the 21st century."[40] In addition to realigning and modernizing existing installation infrastructure and facilities and acquiring new facilities, DOD decided it "must take another hard look at disposing facilities and closing installations no longer required in the United Stated and overseas … ."[41]

As part of its Defense Facilities Strategic Plan, DOD's intent starting back in 2001 was for BRAC 2005 to realign and reduce installation infrastructure by approximately 25 percent. In fact, as stated earlier, Deputy Undersecretary of Defense (Installations and Environment) Mr. Raymond F. Dubois, Jr. pointed out to Congress in 2001 the criticality of BRAC 2005. He stated that the "key to achieving the long-range goal will be successful implementation of the Department's Efficient Facilities initiative (EFI), designed to realign and reduce base infrastructure by approximately 25 percent, and ultimately, save several billion dollars annually."[42] The Services shared DOD's intent for another BRAC and its criticality to reducing unneeded infrastructure and facilities to save scarce resources. In a 1999 Report of the Secretary of the Air Force, Acting Secretary of the Air Force F. Whitten Peters stated,

> The Service is spending scarce resources on unneeded facilities, … . The need to fund higher priority programs has caused the Air Force to under-invest in base operating support, real property maintenance, family housing, and military construction. To enhance readiness, the Air Force must be allowed to reduce its base structure.[43]

Although the requirement for BRAC 2005 remained evident throughout the BRAC 2005 process, the results did not at all reflect the initial intent of a 25 percent reduction. In a 12 May 2005 DOD News Briefing, Secretary of Defense Donald H. Rumsfeld stated that instead of a 20 to 25 percent reduction, the BRAC 2005 recommendations would only cut excess military infrastructure between 5 to 10 percent.[44] Secretary Rumsfeld stated that the recommendation for fewer base closures was due in part "to the return of tens of thousands of troops through our Global Posture Review, and also due to decisions to reduce lease space by moving activities from lease space into owned facilities."[45] Others believe that the ability of local governments to lobby the BRAC Commission panel more effectively combined with the fact that previous rounds have made all the easy cuts have caused the BRAC process to outgrow its original purpose—to rid DOD of excess installation infrastructure.[46]

Secretary Rumsfeld's BRAC 2005 recommendations were to have projected savings of $48.8 billion over 20 years. However, "of DOD's 33 major closure recommendations, the panel [BRAC Commission] approved 21, recommended seven bases be realigned rather than closed, and rejected five recommendations outright."[47] Although the BRAC commission approved 86 percent of DOD"s total recommendations,[48] they didn't approve over one third of DOD's major base closure recommendations. Not only does this reduce DOD's estimate of BRAC 2005 projected savings, but it also puts into question the future role of BRAC. As stated by Christopher Hellman of the Center of Arms Control and Nonproliferation, 'this round was more about realigning than closing, and that's going to be the case in the future.'[49]

If the BRAC process has indeed outgrown one of its original purposes—to rid DOD of excess infrastructure—than another process is needed to do the same. The fact remains that an essential factor in improving the readiness of our installations in a constrained budget environment requires DOD to significantly reduce installation resource requirements in order to "close the gap between current and future requirements and available resources."[50] This is true in particular for the Army who recognizes that "reducing unneeded infrastructure saves dollars in BOS and SRM funding through the elimination of excess facilities and garrison staff."[51]

Manufacturing Effective Money through Public-Private Partnerships

The Defense Facilities Strategic Plan articulates that in order for DOD to meet its future installation infrastructure goals and objectives it must obtain more resources. To do that requires DOD to both "obtain more 'real' money as well as 'manufacture' more 'effective' money through improved business practices. Creating more effective money will require innovative techniques, including privatization, new public-private business relationships, … ."[52]

The Department of Defense has been successful at improving installation readiness using non-privatized initiatives when it receives sustained "real" money from Congress. The Army, for example, is in its 12th year of investing in the Barracks Modernization program. Because barracks are a critical component of the Army's infrastructure, the Army has invested over $6 billion to modernize 136,000 barracks spaces and associated Soldier support facilities. Congress provided the resources to execute it.[53] Using "real" money and a non-privatized initiative, the Army is also working "to improve the overall condition of Army infrastructure with its Focused Facility Strategy (FFS)."[54] Initiated in 2003, FFS "is a focused investment strategy that will raise the overall Army facilities rating to C-2 by modernizing select facility types to a C-1 rating."[55] However, because of previous years of underfunding installation facilities, it will cost the Army more than $12 billion to improve the overall condition of its Operation and Maintenance-operated facilities to a C-2 rating.[56] Like the Barracks Modernization program, FFS will take several years of sustained Congressional funding to reach its goal.

Although non-privatized initiatives contribute to improving installation readiness, the sustained "real" money required to support these initiatives is difficult to obtain in a constrained budget environment. Furthermore, these non-privatized initiatives are only focused on select facility types, leaving a large amount of other installation infrastructure untouched and inadequate. Therefore, DOD has looked to improved business practices to "manufacture" more "effective" money to be used to improve the readiness of other installation infrastructure and facilities. These improved business practices include better business relationships with third

parties to include private and quasi-public business and local communities and an increased reliance on privatization.[57]

One of the major privatization successes for DOD is in the area of family housing. Prior to the start of the Military Housing Privatization Initiative, authorized in the 1996 National Defense Authorization Act, nearly two-thirds of the approximately 300,000 family housing units were "in need of significant restoration and modernization, or outright replacement."[58] What would have required nearly $20 billion of "real" money from Congress and approximately 30 years to complete,[59] is costing DOD much less, with the remainder being leveraged from the private sector. Additionally, it is estimated that the initiative will eliminate all inadequate military family housing by 2010,[60] less than half the time required using the non-privatization method. Utilities privatization has also proved successful for DOD. As of 2001, DOD was spending "more than $6 billion per year on utilities—electric, water, waste-water, natural gas, and telecommunications."[61] Like other installation infrastructure, utility systems have been severely underfunded in previous years. As a result, quality of service has declined and a majority of the utility infrastructure requires upgrade or replacement. Because DOD cannot afford to own, operate, or maintain this decaying infrastructure, it has called upon the private sector to privatize DOD's utility infrastructure where it is economically feasible to do so.[62] The privatization strategy allows DOD to leverage private-sector expertise and financing and benefit immediately from upfront private-sector investments and improvement in aging utility systems.[63]

Even with these and other public-private partnership successes, DOD still has substantial installation readiness issues. Although the updated 2004 Defense Installations Strategic Plan [renamed from the 2001 Defense Facilities Strategic Plan] reported that the recapitalization rate was down from 151 years in the 2001 plan to 105 years in the 2004 plan and the percentage of C-3 and C-4 facilities decreased from 69 percent to 64 percent,[64] a significant requirements/resource mismatch still exists. As a result of the terrorist attacks on September 11, 2001, a fifth strategic goal was added to the 2004 Defense Installation Strategic Plan Update. The new goal, right safety and security, has been established to "protect defense installation assets from threats and unsafe conditions to reduce risk and liabilities."[65] Consequently, this new goal creates more requirements to be funded within the constrained budget environment. In terms of resources, the 2005 Defense Installations Strategic Plan Update reports DOD fell short of its target 95% level of SRM funding in FY06 and 100% in FY08.[66] Exacerbating this lower percentage of DOD SRM funding is the fact that the services reprogram the more flexible SRM dollars to cover the "must fund" BOS shortfalls, as evidenced by the Army's reprogramming of over $1.5 billion of SRM funding in FY 2004 and 2005.[67] This

not only forces DOD to accept additional near term risk in recapitalization rates [68] but also negatively affects the percentage of C-3 and C-4 facilities in the DOD inventory.

As indicated in the 2001 Defense Facilities Strategic Plan, the amount of installation infrastructure and facilities that DOD owns, operates, and maintains produces a significant gap between current and future requirements and available resources.[69] Based on the above information and analysis, this is still the case today and will remain that way in the foreseeable future. However, now that DOD has shown the success of public-private sector partnerships in improving the readiness of installation infrastructure at much less cost and time, it is incumbent upon DOD to leverage these third-party partnerships to help reduce resource requirements by reducing excess/unneeded infrastructure—something that BRAC may no longer be able to do.

City-Base Concept—A Public-Private Sector Partnership to Reduce Excess Infrastructure

In 1999, as the Air Force Material Command (AFMC) was exploring strategies for reducing capital costs at Air Force installations, they developed the city-base concept. Previously, AFMC had relied on BRAC, competitive sourcing and privatization to cut its infrastructure and base support costs. However, even with these practices, there had been no comprehensive strategy for reducing installation infrastructure and facility costs using capital asset management. Primary emphasis had always been on reducing operating costs, not capital costs. AFMC believed that savings had to come from both.[70]

The city-base concept goes beyond enhanced-use leasing, a DOD third-party partnership technique used by the Services to outlease underutilized real property and facilities on military installations.[71] A key component behind any legislation authorizing the city-base concept enables DOD "to sell land or even whole bases to the public or private sector, and lease back only that portion that DOD needs, thereby permitting local economic development on the remainder of the base."[72] In other words, DOD becomes "a tenant versus a landlord."[73] The city-base concept allows DOD "to reduce installation and support costs by allowing more extensive privatization of infrastructure" and relies "more on the community and private sector for support and city services" required to support DOD missions and people.[74]

In October 1999 and July 2000, Congress passed legislation authorizing the Air Force to conduct a demonstration project at Brooks Air Force Base (AFB) in San Antonio, Texas. The purpose of the legislation was "to evaluate and demonstrate methods for more efficient operation of military installations through improved capital asset management and greater reliance on the public and private sectors for less costly base support services, where available."[75] The legislation enabled the Air Force and the City of San Antonio to create the

Brooks City-Base and provided the Air Force the opportunity to convey over 1300 acres of land and all facilities comprising Brooks AFB to the City of San Antonio for potential economic development.[76] The transaction also allowed the Air Force to leaseback "mission-essential facilities while retaining priority access to quality of life service facilities."[77] Furthermore, "unlike a traditional real estate transaction where there is an exchange of land for money or other consideration with no continuing relationship between the parties,"[78] the Brooks City-Base project established a partnership between the Air Force and City "intended to create success for both parties over an extended period of time."[79] The City of San Antonio established the Brooks Development Authority (BDA) to serve as the owner and oversee the management and future development of the property. [80] As a tenant, the Air Force pays only for the facilities essential to its mission and provides security for its leased facilities. BDA officials oversee the day-to-day operations and maintenance of the city-base; utility companies own, operate, and modernize the utility infrastructure; and the City of San Antonio provides law enforcement, fire protection, and emergency medical services.[81] This arrangement significantly reduces federal overhead costs of ownership—estimated at $8 million a year.[82]

City-Base Concept—Advantages and Disadvantages

Although the Brooks City-Base demonstration project has proven that it can reduce DOD installation and support costs by reducing requirements, it is important to examine the advantages and disadvantages of the city-base concept to determine its feasibility for further use at other DOD installations. First, the advantages.

The first advantage of the city-base concept is that it does not require a BRAC to create or implement, thus allowing it to be treated as a public-private partnership. However, like any other public-private partnership, the city-base concept requires special legislation. This legislation—Section 136 of the Military Construction Appropriations Act, 2001, Public law 106-246—already exists and is the legislation that authorized the Brooks City-Base project.[83] To implement the city-base concept at other DOD installations would simply require an extension of the authorities contained in the existing legislation.

The second advantage—the most tangible to DOD—is the reduction in infrastructure, facility, and installation service requirements and the subsequent cost savings generated from this reduction. As a tenant versus a landlord, DOD is able to transition the costs of sustaining, restoring, and modernizing installation infrastructure and facilities, to include all utilities, over to a city or a state-legislated development authority. Furthermore, under the concept, DOD also transitions installation services such as law enforcement, fire protection, and emergency

medical services over to a partnering city. In general, what remains for DOD is the responsibility to pay for only the facilities essential to its mission and the requirement to provide for any DOD-specific security requirements and Service-unique amenities. This arrangement significantly reduces BOS and SRM requirements and produces substantial savings to be used elsewhere. For example, the Brooks City-Base project reduces Air Force costs "by as much as 35 percent,"[84] resulting in an estimated $8 million in savings a year.[85] From a business perspective, the flexibility this public-private sector partnership develops facilitates efficiency and enables private sector experts to manage functions that are not core to the DOD mission.[86]

A third advantage of the city-base concept is that it includes a profit-sharing arrangement that allows DOD to equally share in the revenues generated by the future development of the land conveyed to a city. Furthermore, the arrangement calls for the city's share of the revenues to be reinvested back into the conveyed land, infrastructure, and facilities. The Brooks City-Base project included this profit-sharing arrangement in the transaction between the City of San Antonio and the Air Force as each looked at the future development of the city-base known as the Brooks Technology and Business Park.[87] For DOD, this adds to the cost savings generated by the reduction in BOS and SRM requirements mentioned above.

A fourth advantage is that the city-base concept protects DOD interests in future development of land and facilities around those used by the military. In other words, the release of property (land and facilities) only occurs when development plans and activities are mutually agreed upon and approved by both the city and DOD. In the case of the Brooks City-Base project, this was done through a mutually approved Joint Development Plan that articulated the jointly held vision of the Brooks Technology and Business Park.[88]

A final advantage to DOD, in particular the Services, is that the city-base concept shares DOD's emphasis on quality of life infrastructure and facilities and their improvement. Using the Brooks City-Base project as a baseline, the Air Force continued all existing amenities that had been provided to Air Force members at Brooks AFB. Furthermore, the Air Force and City of San Antonio agreed that as the Brooks Technology and Business Park grew and developed, the property manager's plans would ensure that Park amenities would be available to both the Air Force and new Park tenants.[89] Additionally, DOD members would benefit from the privatization of the utility systems as well as any other privatization initiatives such as housing.

There are also advantages for a city in this public-private sector partnership. Not only does the city gain infrastructure, land, and facilities to spur economic development but it also retains the economic benefit of having the DOD mission remain in the area.[90] Additionally, the city-base concept cushions a city against any future BRAC. Although the city-base concept

does not exclude a city from the BRAC process or prevent it from appearing on the BRAC list, as is the case for Brooks City-Base, it does give the city "a head start on redevelopment"[91] if the DOD mission were to leave the area.

The city-base concept also has some disadvantages. The first disadvantage is that the city-base concept cannot apply to all DOD installations. Those installations that are categorized as power projection platforms or operational bases that have a large number of military personnel assigned will continue to rely on moderate to heavy organic support and infrastructure.[92] The primary focus of the city-base concept is on non-operational bases where there are relatively fewer military people assigned and DOD can leverage "the value of underutilized land and facilities through partnerships with the community." [93]

A second disadvantage of the city-base concept is DOD's increasing concern for the force protection of defense installations and facilities. This is a legitimate concern given the events of September 11, 2001 and the proximity of DOD facilities to community and private sector facilities under the city-base concept. However, as stated by Fred Kuhn, Deputy Assistant Secretary of the Air Force for Installations, at a National Association of Installation Developers conference in 2002, "While security concerns may limit some facilities' ability to enter into partnerships, security may also be an incentive for some bases to allow partners to put facilities in vacant areas of the base security forces must now patrol."[94] Additionally, as shown in the Brooks City-Base project, while the Air Force provides DOD-specific force protection measures for its facilities, the City of San Antonio provides overall security for the city-base through routine law enforcement patrols and security projects to include "fencing, facility badging and swipe card locks, increased lighting, and the rerouting of traffic out of the Military Family Housing areas."[95]

A final disadvantage concerns commitment on the part of DOD and the affected community. Looking at factors that contribute to successful public-private partnerships, "it is essential that long-term leases be authorized to permit the developer to amortize his costs over a range of 25 to 50 years and beyond."[96] This requires a long-term commitment on the part of DOD and the community to ensure the success of the partnership, something not always easy to achieve without a large degree of cooperation, creativity, and adaptability by both parties.[97]

Recommendations

The Brooks City-Base project, the first public-private partnership of its kind, may not be around long enough to demonstrate long-term success or failure due to its inclusion on the BRAC 2005 list. However, the fact remains that in the short term the city-base concept reduced

Air Force costs by approximately 35 percent[98] and saved the Air Force an estimated $8 million a year[99] to be used elsewhere. What is not certain is the long-term cost savings. Whether generated from profit-sharing arrangements and/or the inclusion of quality of life enhancements at little or no cost to DOD, the city-base concept has the potential for substantial long-term cost savings. Using the city-base concept, the Air Force manufactured effective money through a public-private sector partnership—a strategy articulated in the 2001 Defense Facilities Strategic Plan to ensure DOD could meet its future installation infrastructure goals and objectives in a constrained budget environment.

Regardless of the Brooks City-Base project's fate, the fact remains that the amount of installation infrastructure and facilities that DOD owns, operates, and maintains produces a significant gap between current and future requirements and available resources.[100] Current BRAC 2005 recommendations and analysis point to the uncertainty of future BRACs and their ability to free DOD of its remaining unneeded and underutilized infrastructure and facilities and their corresponding operating costs. As a result, it is incumbent upon DOD to continue to leverage public-private sector partnerships to help reduce installation resource requirements by reducing excess/underutilized infrastructure and facilities. The following are recommendations that support this initiative:

Recommendation #1. Have DOD, in conjunction with the Services , identify CONUS installations that possess characteristics conducive to implementing a public-private sector partnership similar to the city-base concept. These characteristics include: not being a power projection platform or operational base where there are a large number of military personnel and military-unique support facilities and services,[101] having land and/or facilities that are available and attractive for private sector or public development,[102] being near a community that has a desire to retain the DOD mission in their area and partner with DOD, and having community and private sector support and city services available that can be used to replace DOD-provided support and services. This list of characteristics is not exhaustive, but is representative of factors that contribute to the successful development of a city-base concept.

Recommendation #2. Have each of the Services conduct a study, similar to the AFMC Study of Installation and Support Management at Brooks AFB, [103] for each of their installations identified above. The purpose of the study is to collect and analyze data relating to the costs of operating a particular installation and the potential for cost avoidance under different alternatives.[104] The alternatives should focus on using "business-process improvements and enhanced capital asset management strategies through public-public and public-private partnerships."[105]

Recommendation #3. Using the results of the studies, have each Service identify to DOD those installations that could benefit from the city-base concept or "enhanced partnerships with the local governments, businesses, and communities in which they are located."[106] The submissions to DOD should clearly identify the projected short- and long-term cost savings to be generated using the city-base concept and any significant force protection issues that would have to be mitigated.

Recommendation #4. After review and approval by DOD, have DOD submit to Congress a request to extend the authorities contained in the Brooks City-Base project (Section 136 of the Military Construction Appropriations Act, 2001, Public Law 106-246)[107] to the military installations approved by DOD.

Recommendation #5. For those Services and installations approved to move forward with the development and implementation of the city-base concept, have the Services use lessons learned from the Brooks City-Base project to make each public-private partnership as efficient and effective as possible.

Recommendation #6. Have each of the Services apply the savings generated by these public-privates sector partnerships to their power projection platforms or operational bases that rely much more on "real" money and much less on manufactured effective money.

Although not explicitly stated above, it is implied that throughout each of the recommended actions above, DOD and the Services are in constant coordination and planning with the local communities and private sector partners involved to ensure total commitment and joint planning from the very beginning of this long-term endeavor.

Conclusion

The chronic underfunding and subsequent decay of our defense installations' infrastructure and facilities is reflected in current DOD readiness ratings and recapitalization rates. The 2004 Update to the Defense Installations Strategic Plan reported that 64 percent[108] of DOD installation facilities "were rated 'C3' (significant facility deficiencies that prevent it from performing some missions) or 'C4' (major facility deficiencies that preclude satisfactory mission accomplishment)—posing significant risk to missions."[109] Additionally, the plan reported a 105-year recapitalization rate for facilities against a DOD standard of 67 years.[110] The 2005 Update revealed that DOD fell short of its target 95% level of SRM funding in FY06 and 100% in FY08,[111] levels of funding that will only be exacerbated by the Services' habitual reprogramming of SRM dollars to cover "must fund" BOS shortfalls. These lower levels of funding not only force DOD to accept additional near-term risk in recapitalization rates[112] but also negatively affect the

percentage of C-3 and C-4 facilities in the DOD inventory. The cost to restore this lost readiness on our defense installations is estimated at $62 billion over six to nine years, not including the "steady, predictable stream of funding after that for sustainment and recapitalization to prevent the problems from reoccurring."[113] This level of resourcing is highly unlikely given DOD's level of funding for installations in previous years and the amount of DOD resources required to prosecute the GWOT now and in the foreseeable future. Because our military's readiness and service members' quality of service is directly related to the well-being of our defense installations and facilities,[114] it is imperative we improve the readiness of our installations. To do this in the current and anticipated future constrained budget environment requires DOD to significantly reduce installation resource requirements in order to "close the gap between current and future requirements and available resources."[115]

To significantly reduce installation resource requirements, requires a reduction in excess and underutilized installation infrastructure and facilities. Although previous BRACs have been DOD's primary tool for reducing excess infrastructure, it is uncertain that future BRAC rounds will have this same capability. Therefore, it is incumbent upon DOD to pursue other means to rid itself of excess and underutilized installation infrastructure and facilities to generate savings to be used elsewhere. One such means is the city-base concept. The city-base concept is a public-private sector partnership that has proven in the short-term that it can substantially reduce DOD asset management and operating costs on an installation, thus manufacturing effective money to be used elsewhere. City-base partnerships do this by unleashing "the untapped value of real property assets by taking underutilized land and buildings and putting them to productive use. These partnerships can transform old buildings and underutilized land from cost generators into cost savers."[116] Furthermore, a city-base partnership "can eliminate ongoing maintenance and repair expenditures and provide the opportunity to enhance military readiness and quality of life without expending appropriated funds that can be used elsewhere."[117]

It is this reduction in installation resource requirements and subsequent cost savings that is essential to properly funding DOD's installations, specifically its power projection platforms and deployment support bases. Only through sustained and predictable funding, to a level that enables installations to meet DOD-approved installation support standards, can we ensure their future readiness in the 21st Century.

Endnotes

[1] Installations Policy Board: Defense Facilities Strategic Plan Working Group, *The Framework for Readiness in the 21st Century*, Defense Installations 2001 Posture Statement (Washington, D.C.: U.S. Department of Defense, 2001), I.

[2] Ibid.

[3] Ibid., 20.

[4] Ibid., 15.

[5] Mark Sappenfield, "Behind Base Votes: Skepticism of Pentagon; A Desire to Transform the Military Wasn't Enough for Pentagon to Win Its Bid to Close Some Major Bases," *Christian Science Monitor*, 29 August 2005 [newspaper on-line]; available from ProQuest; accessed 7 October 2005.

[6] Ibid.

[7] The facts on size, amount and value of installation infrastructure and comparison quote extracted from Installations Policy Board: Defense Facilities Strategic Plan Working Group, I.

[8] Ibid.

[9] Sustainment, restoration and modernization (SRM) resourcing is one of three primary areas the Army uses "to sustain the wide variety of services and support installations provide to Soldiers, families and civilians." The other two are base operations support (BOS) and military construction (MILCON). Association of the United States Army (AUSA), *Torchbearer National Security Report: Transformed Installations, Essential for an All-Volunteer, Relevant and Ready U.S. Army* (Arlington, VA: Association of the United States Army, April 2005), 9.

[10] The discussion on Army BOS/SRM shortfalls and quote on projects affected were taken from Ibid., 9-10.

[11] Ibid., 10.

[12] Ibid., 9.

[13] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 2.

[14] AUSA Torchbearer, 11.

[15] AUSA Torchbearer, 14. C-2 rating is defined as "Some deficiencies that have limited impact on mission performance." AUSA Torchbearer, 12.

[16] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 1-2.

[17] Ibid., 2.

[18] Ibid., I.

[19] AUSA Torchbearer, 10.

[20] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 2.

[21] Ibid., I and 2.

[22] Ibid., 20.

[23] Ibid., 2.

[24] Ibid., II.

[25] Ibid.

[26] Ibid., 7.

[27] U.S. Congress, Senate, Senate Armed Services Committee, Subcommittee on Readiness and Management Support, *Statement of Mr. Raymond F. Dubois, Jr., Deputy Under Secretary of Defense (Installations and Environment)*, 2 August 2001, 3.

[28] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 8.

[29] Ibid., 8-10.

[30] Ibid., 10.

[31] Ibid., 10-15.

[32] Ibid., 10.

[33] Ibid., 15.

[34] Listing of the other key initiatives under the third strategic goal are taken from Ibid., 15-17.

[35] Ibid., 15.

[36] Ibid., 17.

[37] Ibid., 15.

[38] Richard Meyers and Donald H. Rumsfeld, "DoD News Briefing," briefing slides with scripted commentary, 12 May 2005: available from Defenselink; accessed 7 October 2005.

[39] Mr. Raymond F. Dubois, Jr. Statement before SASC, 6.

[40] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 2.

[41] Ibid.

[42] Mr. Raymond F. Dubois, Jr. Statement before SASC, 3.

[43] Whitten F. Peters, “Report of the Secretary of the Air Force,” available from Defenselink: accessed 10 October 2005.

[44] Richard Meyers and Donald H. Rumsfeld 12 May 2005 DoD News Briefing.

[45] Ibid.

[46] Sappenfield.

[47] Projected BRAC 2005 savings and quote on success of recommendations extracted from Donna Miles, “BRAC Panel Sends Final Report to President,” *American Forces Information Service News Articles*, 9 September 2005 [newspaper on-line]; available from Defenselink; accessed 6 November 2005.

[48] Ibid.

[49] Sappenfield.

[50] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 15.

[51] AUSA Torchbearer, 16.

[52] Installations Policy Board: Defense Facilities Strategic Plan Working Group, II.

[53] Discussion on Barracks Modernization program taken from AUSA Torchbearer, 3, 10, 12.

[54] AUSA Torchbearer, 3.

[55] AUSA Torchbearer, 14. C-1 rating is defined as “Minor deficiencies that have negligible impact on mission performance.” AUSA Torchbearer, 11.

[56] AUSA Torchbearer, 14.

[57] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 15.

[58] Ibid., 11.

[59] Ibid., 12.

[60] Ibid.

[61] Ibid., 14.

[62] Ibid.

[63] AUSA Torchbearer, 13.

[64] Mr. Raymond F. DuBois, *2004 Defense Installations Strategic Plan: Combat Power Begins at Home (*(Washington, D.C.: Office of the Deputy Under-Secretary of Defense (Installations and Environment), 2004), 2/3 and 8/9.

[65] Ibid., 2/3.

[66] Philip W. Grone, *2005 Update to Defense Installations Strategic Plan: Combat Power Begins at Home* (Washington, D.C.: Office of the Deputy Under-Secretary of Defense (Installations and Environment), 2004), 2.

[67] AUSA Torchbearer, 10.

[68] Grone, 2.

[69] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 15.

[70] Paragraph on AFMC cost-cutting strategies taken from Leigh Anne Redovian, "Brooks City Base Concept: AFMC Cutting Operating Costs with Help from Surrounding Communities," *AFMC Leading Edge Magazine*, January 1999 [journal on-line]; available from http://www.brooks.af.mil/HSW/CDB/san antonio ex.htm ; Internet; accessed 23 November 2005.

[71] U.S. Congress, House Government Reform Committee, Subcommittee on Technology and Procurement Policy, *Statement of Mr. Raymond F. Dubois, Jr., Deputy Undersecretary of Defense (Installations and Environment)*, 1 October 2005, 4.

[72] Ibid.

[73] Capt. Linda Pepin, "Air Force Seeks Partnership," Air Force Link, 23 August 2002 [newspaper on-line]; available from http://www.af.mil/news/story.asp?storyID=82302167 ; Internet; accessed 7 October 2005.

[74] Redovian.

[75] Executive Summary, "Brooks City-Base Project—The Summary of the Deal", available from http://www.brooks.af.mil/HSW/CDB/executive_summary.htm ; Internet; accessed 23 November 2005.

[76] Mr. Raymond F. Dubois Jr. Statement before House Government Reform Committee, 5.

[77] Ibid.

[78] Ibid.

[79] Executive Summary.

[80] Ibid.

[81] This breakout of partnership duties is taken from Larry Farlow, "City-Base Concept Still Progressing," Air Force Print News Today, 13 November 2003 [newspaper on-line]; available from http://www.af.mil/news/story_print.asp?storyID=123006014 ; Internet; accessed 23 November 2005.

[82] Ibid.

[83] Mr. Raymond F. Dubois, Jr. Statement before SASC, 9.

[84] City-Base Concept Helps Air Force, S.A., *San Antonio Express-News*, 1 March 1999 [newspaper on-line]; available from http://www.brooks.af.mil/HSW/CDB/san_antonio_ex.htm ; Internet; accessed 23 November 2005.

[85] Farlow.

[86] Pepin.

[87] Profit-sharing concept and Brooks Technology and Business Park title taken from Executive Summary.

[88] Joint development concept and Joint Development Plan title extracted from Executive Summary.

[89] Discussion on amenities paraphrased from Executive Summary.

[90] Peters.

[91] James Aldridge, "Brooks City-Base put on Base-Closure List by Department of Defense," *San Antonio Business Journal: The Essential Business Tool*, 13 May 2005 [journal on-line]; available from http://www.bizjournals.com/sanantonio/stories/2005/05/09/daily33.html?t=printable ; Internet; accessed 23 November 2005.

[92] Redovian.

[93] Redovian.

[94] Pepin.

[95] Executive Summary.

[96] Mr. Raymond F. Dubois Jr., Statement before House Government Reform Committee, 1.

[97] Pepin.

[98] City-Base Concept Helps Air Force, S.A.

[99] Farlow.

[100] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 15.

[101] Redovian.

[102] Mr. Raymond F. Dubois Jr. Statement before House Government Reform Committee, 1.

[103] Todd I. Stewart, Brigadier General, USAF, Chief Operating Officer (Installations and Support), "Air Force Material Command (AFMC) Study of Installation and Support Management at Brooks Air Force Base (AFB)," memorandum for Secretary of the Air Force, Wright-Patterson Air Force Base, Ohio, 25 January, 1999.

[104] Ibid.

[105] Ibid.

[106] Ibid.

[107] Mr. Raymond F. Dubois, Jr. Statement before SASC, 9.

[108] Mr. Raymond F. DuBois, *2004 Defense Installations Strategic Plan: Combat Power Begins at Home,* 8/9.

[109] Installations Policy Board: Defense Facilities Strategic Plan Working Group, 2.

[110] Mr. Raymond F. DuBois, *2004 Defense Installations Strategic Plan: Combat Power Begins at Home,* 2/3.

[111] Grone, 2.

[112] Ibid.

[113] Installations Policy Board: Defense Facilities Strategic Plan Working Group, I and 2.

[114] Ibid., 20.

[115] Ibid., 15.

[116] Mr. Raymond F. Dubois Jr. Statement before House Government Reform Committee, 1.

[117] Ibid.